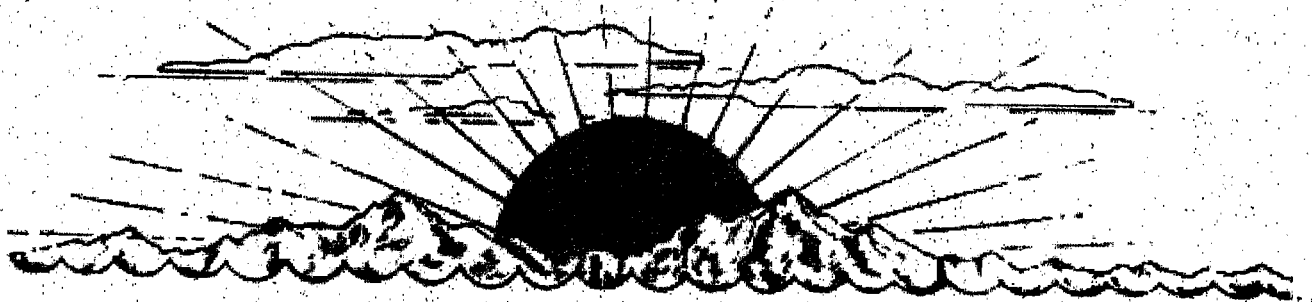


# City of Sunset, Utah



## Financial Report Year Ended June 30, 2005

Prepared by  
Susan R. Hale, Recorder

**SUNSET CITY CORPORATION**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2005**

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Independent Auditors' Report

Honorable Mayor and City Council  
Sunset City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sunset City, as of and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sunset City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2005 on our consideration of Sunset City's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Crane, Christensen + Ambrose P.C.*

August 30, 2005

# Sunset City, Utah

## Management's Discussion and Analysis

*for fiscal year ending June 30, 2005*

As management of Sunset City, we offer readers of our financial statements this narrative overview and analysis of Sunset City's financial performance and activities for the fiscal year ending June 30, 2005. Beginning in fiscal year 2004, the City implemented new financial reporting standards established by GASB (Governmental Accounting Standards Board). These new standards changed the structure of the financial statements. Therefore, much of the information was not easily comparable to previous years. This report will include a better prior year comparison.

### FINANCIAL HIGHLIGHTS

- The City's capital assets have a net increase of \$6,039 due to depreciation and the purchase of assets.
- Revenues exceeded expenditures by \$122,805 in all of the governmental funds except the CDBG Capital Project Fund. \$172,633 of the CDBG Fund Balance was used to finish the 475 West reconstruction project. Therefore, the Governmental Statement of Revenues, Expenditures and Changes in Fund Balances shows a total of expenditures exceeding revenues by \$49,828.
- Business-type activities net assets decreased \$46,235 due to insufficient revenues to cover operational costs.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to Sunset City's Basic Financial Statements. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information in addition to the Basic Financial Statements.

The government-wide financial statements are designed to provide readers with a broad overview of Sunset City's finances in a manner similar to a private-sector business and consist of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets presents the overall net assets of the City. Over time, increases or decreases in net assets may serve as a useful indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (government-type activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Sunset City's business-type activities include water, sewer, garbage and storm water operations.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to maintain control over resources that are kept separate and used for a specific activity or objective. Some funds are required by law to exist, while others are established internally to maintain control over a stated purpose. All of the City's funds are divided into three categories, Governmental funds, Proprietary funds and Agency Funds. Each fund uses a different accounting approach.

**Governmental Funds** - Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund information helps readers determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. The City has 12 governmental funds. They are the General fund, Class C Road fund, Liquor Control fund, DARE fund, Youth City Council fund, Miscellaneous Grants Fund, Fire Academy/Fund Raising fund, RDA fund, CDBG Capital Project fund, New City Building Capital Project fund, Fire Truck Capital Project fund and Public Works Capital Project fund.

**Proprietary Funds** - Sunset City maintains one type of proprietary fund. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statement. The City uses the enterprise fund to account for its Water, Sewer, Garbage and Storm Water services.

**Agency Funds** - Sunset City has one agency fund. These monies are being held as a reward for information leading to the arrest and conviction of a suspect in the murder of Rachael Runyan.

## Notes to the Financial Statements

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide and the fund financial statements.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Assets

The largest portion of Sunset City's net assets, 66%, reflects investments in capital assets (land, buildings, equipment and other improvements) net of outstanding debt that was issued to purchase those assets. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 11% of the total net assets and are to be used only by their specified activities. The remaining 23% of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

### Sunset City Net Assets as of June 30

|  | Governmental<br>Activities |                  | Business-type<br>Activities |                  | Totals           |                  |
|--|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
|  | 2005                       | 2004             | 2005                        | 2004             | 2005             | 2004             |
| Current & Other Assets                             | 1,278,513                  | 1,290,230        | 229,380                     | 205,791          | 1,507,893        | 1,496,021        |
| Capital Assets                                     | 1,569,026                  | 1,560,420        | 1,751,073                   | 1,806,167        | 3,320,099        | 3,366,587        |
| <b>Total Assets</b>                                | <b>2,847,539</b>           | <b>2,850,650</b> | <b>1,980,453</b>            | <b>2,011,958</b> | <b>4,827,992</b> | <b>4,862,608</b> |
| Current & Other Liabilities                        | 288,241                    | 266,095          | 42,609                      | 27,878           | 330,850          | 293,973          |
| Long-term Liabilities                              | 1,102,492                  | 1,203,269        | 0                           | 0                | 1,102,492        | 1,203,269        |
| <b>Total Liabilities</b>                           | <b>1,390,733</b>           | <b>1,469,364</b> | <b>42,609</b>               | <b>27,878</b>    | <b>1,433,342</b> | <b>1,497,242</b> |
| <b>Net Assets:</b>                                 |                            |                  |                             |                  |                  |                  |
| Invested in Capital Assets,<br>Net of Related Debt | 466,534                    | 357,151          | 1,751,073                   | 1,806,167        | 2,217,607        | 2,163,318        |
| Restricted   | 409,897                    | 540,034          | 0                           | 0                | 409,897          | 540,034          |
| Unrestricted                                       | 580,375                    | 484,101          | 186,771                     | 177,913          | 767,146          | 662,014          |
| <b>Total Net Assets</b>                            | <b>1,456,806</b>           | <b>1,381,286</b> | <b>1,937,844</b>            | <b>1,984,080</b> | <b>3,394,650</b> | <b>3,365,366</b> |
| Percent change from prior year                     | 5.4%                       | n/a              | (2.3)%                      | n/a              | 0.8%             | n/a              |

### Changes in Net Assets

The City's combined net assets increased slightly by \$29,284 or 0.8% from the prior year. Net assets of governmental activities increased \$75,520 or 5.4%, while net assets of business-type activities decreased by \$46,236 or 2.3%. The following chart summarizes the City's revenues and expenses relative to each other and to the prior year.

### Sunset City Changes in Net Assets as of June 30

|                        | Governmental<br>Activities |                  | Business-type<br>Activities |                  | Totals           |                  | Total<br>Percent<br>Change |
|------------------------|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|----------------------------|
|                        | 2005                       | 2004             | 2005                        | 2004             | 2005             | 2004             | 2004 to 2005               |
| <b>Revenues</b>        |                            |                  |                             |                  |                  |                  |                            |
| General Revenues:      |                            |                  |                             |                  |                  |                  |                            |
| Taxes                  | 1,021,762                  | 1,025,677        | -                           | -                | 1,021,762        | 1,025,677        | (0.4)%                     |
| Other General Revenues | 87,348                     | 591,687          | (23,090)                    | 826,177          | 64,258           | 1,417,864        | (95.5)%                    |
| Program Revenues:      |                            |                  |                             |                  |                  |                  |                            |
| Charges for Services   | 487,553                    | 52,321           | 983,739                     | 1,004,402        | 1,471,292        | 1,056,723        | 39.2%                      |
| Operating grants       | 161,002                    | 178,782          | -                           | -                | 161,002          | 178,782          | (9.9)%                     |
| Capital grants         | 352,381                    | 157,919          | -                           | -                | 352,381          | 157,919          | 123.1%                     |
| <b>Total Revenues</b>  | <b>2,110,046</b>           | <b>2,006,386</b> | <b>960,649</b>              | <b>1,830,579</b> | <b>3,070,695</b> | <b>3,836,965</b> | <b>(20.0)%</b>             |

**Changes in Net Assets as of June 30 (continued)**

|                             | <b>Governmental<br/>Activities</b> |                    | <b>Business-type<br/>Activities</b> |                  | <b>Totals</b>    |                  | <b>Total<br/>Percent<br/>Change</b> |
|-----------------------------|------------------------------------|--------------------|-------------------------------------|------------------|------------------|------------------|-------------------------------------|
|                             | <b>2005</b>                        | <b>2004</b>        | <b>2005</b>                         | <b>2004</b>      | <b>2005</b>      | <b>2004</b>      | <b>2004 to 2005</b>                 |
| <b>Expenses</b>             |                                    |                    |                                     |                  |                  |                  |                                     |
| General Government          | 404,260                            | 1,371,853          | -                                   | -                | 404,260          | 1,371,853        | (70.5)%                             |
| Public Safety               | 722,367                            | 943,358            | -                                   | -                | 722,367          | 943,358          | (23.4)%                             |
| Highways and Public Works   | 635,530                            | 439,653            | -                                   | -                | 635,530          | 439,653          | 44.6%                               |
| Parks and Recreation        | 198,346                            | 191,988            | -                                   | -                | 198,346          | 191,988          | 3.3%                                |
| Community Development       | 38,621                             | 2,198              | -                                   | -                | 38,621           | 2,198            | 1,657%                              |
| Interest on Long-term Debt  | 50,688                             | 58,083             | -                                   | -                | 50,688           | 58,083           | (12.7)%                             |
| Utility Operations          | -                                  | -                  | 1,006,884                           | 1,097,435        | 1,006,884        | 1,097,435        | 0.2%                                |
| <b>Total Expenses</b>       | <b>2,049,812</b>                   | <b>3,007,133</b>   | <b>1,006,884</b>                    | <b>1,097,435</b> | <b>3,056,696</b> | <b>4,104,568</b> | <b>(23.8)%</b>                      |
| <b>Change in Net Assets</b> | <b>60,234</b>                      | <b>(1,000,747)</b> | <b>(46,235)</b>                     | <b>733,144</b>   | <b>13,999</b>    | <b>(267,603)</b> |                                     |
| Net Assets - Beginning      | 1,381,286                          | 2,382,033          | 1,984,080                           | 1,250,936        | 3,365,366        | 3,632,969        |                                     |
| Net Assets - Ending         | 1,441,520                          | 1,381,286          | 1,937,845                           | 1,984,080        | 3,379,365        | 3,365,366        | 0.4%                                |

**Governmental Activities**

The activities in the governmental funds resulted in an increase in net assets of \$52,275 for the year.

Table 1 shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. These programs generated revenues of \$587,168 or 29.36% of their total expenses through charges for services and grants. Taxes and other general revenues covered the remaining 70.64% of expenses.

*Table 1*

| <b>Activities</b>         | <b>Total<br/>Program<br/>Expenses</b> | <b>Less<br/>Program<br/>Revenues</b> | <b>Net Program<br/>Costs</b> | <b>Program Revenues<br/>as a Percentage of<br/>Total Expense</b> |
|---------------------------|---------------------------------------|--------------------------------------|------------------------------|--|
| General Government        | 404,260                               | 1,406                                | (402,854)                    | 0.07%  |
| Public Safety             | 722,367                               | 165,331                              | (557,036)                    | 8.27%  |
| Highways and Public Works | 635,530                               | 366,901                              | (268,629)                    | 18.35%   |
| Parks and Recreation      | 198,346                               | 20,338                               | (178,008)                    | 1.01%  |
| Community Development     | 38,621                                | 33,192                               | (5,429)                      | 1.66%  |
| <b>Totals</b>             | <b>1,999,124</b>                      | <b>587,168</b>                       | <b>(1,411,956)</b>           | <b>29.36%</b>  |

Table 2 shows by percentage the relative net uses (expenses minus any revenue directly attributed to that particular function) for governmental activities for each of the functions shown on the Statement of Activities.

*Table 2*

| <b>Activities</b>         | <b>Net Program<br/>Costs</b> | <b>Percentage of each activity in<br/>Relation to the Total of All Programs</b> |
|---------------------------|------------------------------|---|
| General Government        | 402,854                      | 28.53%  |
| Public Safety             | 557,036                      | 39.45%  |
| Highways and Public Works | 268,629                      | 19.03%  |
| Parks and Recreation      | 178,008                      | 12.61%  |
| Community Development     | 5,429                        | 0.38%   |
| <b>Totals</b>             | <b>1,411,956</b>             | <b>100%</b>   |

### **Business-type Activities**

The business-type activities (water, sewer, garbage and storm water) are not generating sufficient revenue to cover operating costs.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

Sunset City added \$155,942 in new capital assets in governmental activities during the fiscal year - \$152,442 in equipment (\$146,687 of that for public safety) and \$3,500 in improvements (automatic shop gate). The City also sold or disposed of \$1,935 in capital assets in governmental activities.

The City added \$7,710 in new capital assets in business-type activities during the fiscal year - \$4,210 in equipment and \$3,500 in improvements (automatic shop gate). \$346 of capital assets in equipment were sold or disposed of.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

#### **Fund Balances**

As of June 30, 2005, Sunset City's governmental funds reported fund balances of \$1,043,270. Of this amount, \$373,506 or 35.8% is reserved for specific purposes. The remaining \$669,764 or 64.2% is unreserved. \$374,141 is in the Redevelopment Agency fund and the remaining \$295,623 is to help if needed towards continuation of the City's programs.

#### **General Fund**

During fiscal year 2005, the fund balance in the general fund increased by \$15,405. Total revenues were up \$35,739, with tax revenue increasing 1% over the previous year and the City received \$46,095 more in grants than the previous year. Total general fund expenditures (excluding transfers) were up \$107,820 or 6.7%. A good portion of that increase was expenditures of the grants received.

#### **GENERAL FUND REVENUE SOURCES**

|                            |       |
|----------------------------|-------|
| Taxes .....                | 52.3% |
| Licenses & Permits .....   | 1.9%  |
| Intergovernmental .....    | 16.2% |
| Charges for Services ..... | 1.3%  |
| Fines & Forfeitures .....  | 22.9% |
| Other Revenues .....       | 5.4%  |

#### **GENERAL FUND EXPENDITURES**

|                                    |       |
|------------------------------------|-------|
| General Government .....           | 21.8% |
| Public Safety .....                | 45.5% |
| Highways & Public Works .....      | 12.6% |
| Parks & Recreation .....           | 11.2% |
| Community Development .....        | 0.1%  |
| Debt Service (City Building) ..... | 8.8%  |

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the City amended the General Fund one time to meet the needs of the departments. The amendment consisted of an increase in the amount of \$165,150 from the original budget of \$1,672,260 to the final budget of \$1,837,410. The actual expenditures (excluding transfers) came in \$110,405 under budget and the actual revenues came in \$1,912 over budget.

#### **RDA Fund**

During the fiscal year, the fund balance in the Redevelopment Agency Fund increased \$60,410. The taxes received from Smith's Food & Drug decreased \$13,131 or 11.9% from last fiscal year mostly due to decreasing sales. The amount paid back to Smith's Food & Drug decreased \$26,688 or 42% from the previous year.

**Capital Projects Funds**

During the fiscal year, the fund balance in the Capital Projects Funds decreased \$125,643. The expenditures were for the CDBG 475 West Project in the amount of \$388,108.

**Enterprise Fund**

The change in net assets of the enterprise fund shows a decrease of \$46,235 or 2.4% from the previous year. Half of the decrease was due to transferring \$23,090 to the Public Works Capital Improvement fund for future projects.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide readers with a general overview of Sunset City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report should be addressed to:

Susan R. Hale  
City Recorder  
200 W. 1300 N.  
Sunset, UT 84015  
(801) 614-9103

**SUNSET CITY**  
**Statement of Net Assets**  
June 30, 2005

|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>Assets:</b>                                  |                            |                             |                      |
| Cash and cash equivalents                       | 1,270,553                  | 72,664                      | 1,343,217            |
| Accounts receivable - net                       | 7,960                      | 106,373                     | 114,333              |
| Prepaid expenses                                | 0                          | 50,343                      | 50,343               |
| Capital assets, net of depreciation:            |                            |                             |                      |
| Land  | 137,491                    | 12,500                      | 149,991              |
| Buildings                                       | 962,043                    | 894,174                     | 1,856,217            |
| Improvements                                    | 12,888                     | 788,719                     | 801,607              |
| Equipment                                       | 456,604                    | 55,680                      | 512,284              |
| Total capital assets                            | <u>1,569,026</u>           | <u>1,751,073</u>            | <u>3,320,099</u>     |
| <br>Total assets                                | <br><u>2,847,539</u>       | <br><u>1,980,453</u>        | <br><u>4,827,992</u> |
| <b>Liabilities:</b>                             |                            |                             |                      |
| Accounts payable and accrued liabilities        | 194,843                    | 12,700                      | 207,543              |
| Compensated absences                            | 93,398                     | 29,909                      | 123,307              |
| Noncurrent liabilities:                         |                            |                             |                      |
| Due within one year                             | 74,856                     | 0                           | 74,856               |
| Due in more than one year                       | <u>1,027,636</u>           | <u>0</u>                    | <u>1,027,636</u>     |
| <br>Total liabilities                           | <br><u>1,390,733</u>       | <br><u>42,609</u>           | <br><u>1,433,342</u> |
| <b>Net Assets:</b>                              |                            |                             |                      |
| Invested in capital assets, net of related debt | 466,534                    | 1,751,073                   | 2,217,607            |
| Restricted for:                                 |                            |                             |                      |
| Capital projects                                | 269,585                    | 0                           | 269,585              |
| Class "C" roads                                 | 111,101                    | 0                           | 111,101              |
| Liquor  | 9,298                      | 0                           | 9,298                |
| DARE  | 8,767                      | 0                           | 8,767                |
| Youth City Council                              | 3,308                      | 0                           | 3,308                |
| Miscellaneous grants                            | 0                          | 0                           | 0                    |
| Fire academy/fund raising                       | 7,838                      | 0                           | 7,838                |
| Unrestricted                                    | <u>580,375</u>             | <u>186,771</u>              | <u>767,146</u>       |
| <br>Total net assets                            | <br><u>1,456,806</u>       | <br><u>1,937,844</u>        | <br><u>3,394,650</u> |

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Activities**  
June 30, 2005

| Functions                           | Expenses         | Program Revenues        |  |  |
|-------------------------------------|------------------|-------------------------|--|--|
|                                     |                  | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Governmental activities:</b>     |                  |                         |  |  |
| General government                  | 407,324          | 406,433                 | 781                                      |  |
| Public safety                       | 728,618          | 27,340                  | 9,045                                    | 136,906                                |
| Highways and public works           | 608,779          | 250                     | 151,176                                  | 215,475                                |
| Parks and recreation                | 200,496          | 20,338                  |  |  |
| Community Development               | 38,621           | 33,192                  |  |  |
| Interest on long-term debt          | 50,688           |                         |  |  |
| Total governmental activities       | <u>2,034,526</u> | <u>487,553</u>          | <u>161,002</u>                           | <u>352,381</u>                         |
| <b>Business-type activities:</b>    |                  |                         |  |  |
| Water operational                   | 116,809          | 358,378                 |  |  |
| Sewer collection and disposal       | 148,543          | 252,099                 |  |  |
| Garbage collection and disposal     | 266,662          | 346,933                 |  |  |
| Storm sewer collection and disposal | 5,511            | 26,329                  |  |  |
| Salaries, wages and benefits        | 245,460          |                         |  |  |
| Other operational expense           | 161,440          |                         |  |  |
| Depreciation expense                | 62,459           |                         |  |  |
| Total business-type activities      | <u>1,006,884</u> | <u>983,739</u>          |  |  |

**General revenues:**

Taxes  
Investment earnings  
Miscellaneous  
Transfers  
Total general revenues  
Change in net assets  
Net assets - beginning  
Net assets - ending

The notes to the financial statements are an integral part of this statement

# Net (Expense) Revenue and Changes in Net Assets

| Total<br>Governmental<br>Activities | Business-type<br>Activities | Totals             |
|-------------------------------------|-----------------------------|--------------------|
| (110)                               |                             | (110)              |
| (555,327)                           |                             | (555,327)          |
| (241,878)                           |                             | (241,878)          |
| (180,158)                           |                             | (180,158)          |
| (5,429)                             |                             | (5,429)            |
| (50,688)                            |                             | (50,688)           |
| <u>(1,033,590)</u>                  |                             | <u>(1,033,590)</u> |

|  |                 |                 |
|--|-----------------|-----------------|
|  | 241,569         | 241,569         |
|  | 103,556         | 103,556         |
|  | 80,271          | 80,271          |
|  | 20,818          | 20,818          |
|  | (245,460)       | (245,460)       |
|  | (161,440)       | (161,440)       |
|  | <u>(62,459)</u> | <u>(62,459)</u> |
|  | <u>(23,145)</u> | <u>(23,145)</u> |

|                  |                  |                  |
|------------------|------------------|------------------|
| 1,021,762        |                  | 1,021,762        |
| 28,084           |                  | 28,084           |
| 36,174           |                  | 36,174           |
| 23,090           | (23,090)         | 0                |
| <u>1,109,110</u> | <u>(23,090)</u>  | <u>1,086,020</u> |
| 75,520           | (46,235)         | 29,285           |
| 1,381,286        | 1,984,080        | 3,365,366        |
| <u>1,456,806</u> | <u>1,937,845</u> | <u>3,394,651</u> |

**SUNSET CITY**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2005

|   | General        | Redevelopment<br>Agency | CDBG<br>Capital Project | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------|-------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>                          |                |                         |                         |                                |                                |
| Cash and cash equivalents               | 621,827        | 374,141                 | 53,879                  | 220,706                        | 1,270,553                      |
| Receivables                             | 7,960          | 0                       | 0                       | 0                              | 7,960                          |
| Prepaid expense                         | 0              | 0                       | 0                       | 0                              | 0                              |
| Total assets                            | <u>629,787</u> | <u>374,141</u>          | <u>53,879</u>           | <u>220,706</u>                 | <u>1,278,513</u>               |
| <b>Liabilities and fund balances:</b>   |                |                         |                         |                                |                                |
| <b>Liabilities:</b>                     |                |                         |                         |                                |                                |
| Accounts payable &<br>accrued liability | 193,851        | 0                       | 5,000                   | 0                              | 198,851                        |
| Total liabilities                       | <u>193,851</u> | <u>0</u>                | <u>5,000</u>            | <u>0</u>                       | <u>198,851</u>                 |
| <b>Fund Balances:</b>                   |                |                         |                         |                                |                                |
| Reserved for:                           |                |                         |                         |                                |                                |
| Capital Projects                        |                |                         | 48,879                  | 220,706                        | 269,585                        |
| Class "C" roads                         | 111,101        |                         |                         |                                | 111,101                        |
| Liquor                                  | 9,298          |                         |                         |                                | 9,298                          |
| DARE                                    | 8,767          |                         |                         |                                | 8,767                          |
| Youth City Council                      | 3,308          |                         |                         |                                | 3,308                          |
| Miscellaneous grants                    | 0              |                         |                         |                                | 0                              |
| Fire academy/fund raising               | 7,838          |                         |                         |                                | 7,838                          |
| Unreserved                              | <u>295,624</u> | <u>374,141</u>          |                         |                                | <u>669,765</u>                 |
| Total fund balances                     | <u>435,936</u> | <u>374,141</u>          | <u>48,879</u>           | <u>220,706</u>                 | <u>1,079,662</u>               |
| Total liabilities and<br>fund balances  | <u>629,787</u> | <u>374,141</u>          | <u>53,879</u>           | <u>220,706</u>                 | <u>1,278,513</u>               |

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

|  |           |
|--|-----------|
| Total fund balances - governmental fund types: | 1,079,662 |
|--|-----------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

|  |                          |                    |           |
|--|--------------------------|--------------------|-----------|
|  | Land                     | 137,491            |           |
|  | Buildings                | 1,189,262          |           |
|  | Improvements             | 176,942            |           |
|  | Equipment                | 1,642,189          |           |
|  | Accumulated Depreciation | <u>(1,576,858)</u> | 1,569,026 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

|  |                           |                  |                    |
|--|---------------------------|------------------|--------------------|
|  | Compensated absences      | 89,390           |                    |
|  | Noncurrent liabilities:   |                  |                    |
|  | Due within one year       | 74,856           |                    |
|  | Due in more than one year | <u>1,027,636</u> | <u>(1,191,882)</u> |

|                                       |                         |
|---------------------------------------|-------------------------|
| Net assets of governmental activities | <u><u>1,456,806</u></u> |
|---------------------------------------|-------------------------|

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Fiscal Year Ended June 30, 2004

|  | <u>General</u>   | <u>Redevelopment<br/>Agency</u> | <u>CDBG<br/>Capital Project</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|------------------|---------------------------------|---------------------------------|---|---|
| <b>Revenues:</b>   |                  |                                 |                                 |   |   |
| Taxes  | 924,551          | 97,212                          |                                 |   | 1,021,763                               |
| Licenses and permits   | 33,272           |                                 |                                 |   | 33,272                                  |
| Intergovernmental  | 293,394          |                                 | 215,475                         |   | 508,869                                 |
| Charges for services   | 22,491           |                                 |                                 |   | 22,491                                  |
| Fines and forfeitures  | 405,808          |                                 |                                 |   | 405,808                                 |
| Earnings on investments                                      | 28,084           |                                 |                                 |   | 28,084                                  |
| Sale of assets   | 500              |                                 |                                 |   | 500                                     |
| Miscellaneous revenue  | 66,170           |                                 |                                 |   | 66,170                                  |
| <b>Total revenues</b>  | <u>1,774,270</u> | <u>97,212</u>                   | <u>215,475</u>                  | <u>0</u>                                | <u>2,086,957</u>                        |
| <b>Expenditures:</b>   |                  |                                 |                                 |   |   |
| Current:   |                  |                                 |                                 |   |   |
| General government   | 376,967          |                                 |                                 |   | 376,967                                 |
| Public safety  | 785,493          |                                 |                                 |   | 785,493                                 |
| Highways and public works                                    | 189,945          |                                 | 388,108                         |   | 578,053                                 |
| Parks and recreation   | 192,886          |                                 |                                 |   | 192,886                                 |
| Community Development  | 1,819            | 36,802                          |                                 |   | 38,621                                  |
| Capital projects   |                  |                                 |                                 |   | 0                                       |
| Debt service:  |                  |                                 |                                 |   |   |
| Principal retirement   | 100,776          |                                 |                                 |   | 100,776                                 |
| Interest and fiscal charges                                  | 50,688           |                                 |                                 |   | 50,688                                  |
| <b>Total expenditures</b>                                    | <u>1,698,574</u> | <u>36,802</u>                   | <u>388,108</u>                  | <u>0</u>                                | <u>2,123,484</u>                        |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>75,696</u>    | <u>60,410</u>                   | <u>(172,633)</u>                | <u>0</u>                                | <u>(36,527)</u>                         |
| <b>Other financing sources (uses):</b>                       |                  |                                 |                                 |   |   |
| Transfers in (out)   | (23,900)         | 0                               | 0                               | 46,990                                  | 23,090                                  |
| <b>Total other financing sources (uses)</b>                  | <u>(23,900)</u>  | <u>0</u>                        | <u>0</u>                        | <u>46,990</u>                           | <u>23,090</u>                           |
| <b>Net change in fund balances</b>                           | 51,796           | 60,410                          | (172,633)                       | 46,990                                  | (13,437)                                |
| <b>Fund balances - beg. of year</b>                          | <u>384,140</u>   | <u>313,731</u>                  | <u>221,512</u>                  | <u>173,716</u>                          | <u>1,093,099</u>                        |
| <b>Fund balances - end of year</b>                           | <u>435,936</u>   | <u>374,141</u>                  | <u>48,879</u>                   | <u>220,706</u>                          | <u>1,079,662</u>                        |

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Government Funds to the Statement of Activities**  
June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

|   |          |
|---|----------|
| Net change in fund balance - total governmental funds | (13,437) |
|---|----------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount in which capital outlays exceeded depreciation in the current period.

|                             |                  |       |
|-----------------------------|------------------|-------|
|                             | 155,761          |       |
| Additions to capital assets |                  |       |
| Depreciation expense        | <u>(147,155)</u> | 8,606 |

Lease payments are accounted for in the general fund as an expenditure. Lease proceeds are accounted for as a revenue. In the statement of activities only the interest expense for the current year is included with the principal reducing the liability on the statement of assets. Changes in compensated absences are treated as expenses in governmental statements, but are reductions or increases in the liability in the Statement of Net Assets.

|   |                 |               |
|---|-----------------|---------------|
|   | 100,776         |               |
| Principal payments on leases                |                 |               |
| (Increase) decrease in compensated absences | <u>(20,425)</u> | <u>80,351</u> |

|   |                      |
|---|----------------------|
| Change in net assets of governmental activities | <u><u>75,520</u></u> |
|---|----------------------|

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Net Assets**  
**Proprietary Fund**  
For the Fiscal Year Ended June 30, 2005

|  | <u>2005</u>        |
|--|--------------------|
| <b>Assets:</b>                                 |                    |
| Current assets:                                |                    |
| Cash and cash equivalents                      | 72,664             |
| Accounts receivable                            | 106,373            |
| Prepaid items                                  | 50,343             |
| Total current assets                           | <u>229,380</u>     |
| Capital assets:                                |                    |
| Land   | 12,500             |
| Buildings                                      | 941,423            |
| Improvements                                   | 1,879,309          |
| Equipment                                      | 209,229            |
| Less accumulated depreciation                  | <u>(1,291,388)</u> |
| Total capital assets                           | <u>1,751,073</u>   |
| Total assets                                   | <u>1,980,453</u>   |
| <b>Liabilities:</b>                            |                    |
| Current liabilities:                           |                    |
| Accounts payable                               | 12,700             |
| Total current liabilities                      | <u>12,700</u>      |
| Noncurrent liabilities:                        |                    |
| Compensated absences                           | 29,909             |
| Total noncurrent liabilities                   | <u>29,909</u>      |
| Total liabilities                              | <u>42,609</u>      |
| <b>Net Assets:</b>                             |                    |
| Invested in capital assets net of related debt | 1,751,073          |
| Restricted                                     | 0                  |
| Unrestricted                                   | 186,772            |
| Total net assets                               | <u>1,937,845</u>   |

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
For the Fiscal Year Ended June, 30, 2005

|  | <u>2005</u>             |
|--|-------------------------|
| <b>Operating revenue:</b>              |                         |
| Charges for services                   | 983,739                 |
| Total operating revenues               | <u>983,739</u>          |
| <b>Operating expenses:</b>             |                         |
| Water operational                      | 116,809                 |
| Sewer collection and disposal          | 148,543                 |
| Garbage collection and disposal        | 266,662                 |
| Storm sewer collection and disposal    | 5,511                   |
| Salaries, wages and benefits           | 245,459                 |
| Other operational expense              | 161,441                 |
| Depreciation expense                   | 62,459                  |
| Total operating expenses               | <u>1,006,884</u>        |
| Operating income (loss)                | <u>(23,145)</u>         |
| <b>Nonoperating income (expenses):</b> |                         |
| Earnings on investments                | <u>0</u>                |
| Total nonoperating income (expenses)   | <u>0</u>                |
| Income (loss) before transfers         | (23,145)                |
| Capital contributions                  |                         |
| Transfers in (out)                     | <u>(23,090)</u>         |
| Change in net assets                   | (46,235)                |
| <b>Total net assets - beginning</b>    | <u>1,984,080</u>        |
| <b>Total net assets - ending</b>       | <u><u>1,937,845</u></u> |

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended June, 30, 2005

|   | <u>2005</u>          |
|---|----------------------|
| <b>Cash flows from operating activities:</b>  |                      |
| Receipts from services provided   | 985,844              |
| Payments to suppliers   | (684,359)            |
| Payments to employees   | (243,428)            |
| Net cash provided (used) by operating activities  | <u>58,057</u>        |
| <b>Cash flows from noncapital financing activities:</b>   |                      |
| Transfers (to) other funds  | (23,090)             |
| Net cash provided (used) by noncapital financing activities   | <u>(23,090)</u>      |
| <b>Cash flows from capital and related financing activities:</b>                                      |                      |
| Capital Contributions   | 0                    |
| Acquisition of capital assets   | (7,366)              |
| Proceeds from sale of capital assets  | 0                    |
| Principal paid on capital debt  | 0                    |
| Interest paid on capital debt   | 0                    |
| Net cash provided (used) by capital and related activities  | <u>(7,366)</u>       |
| <b>Cash flows from investing activities:</b>  |                      |
| Interest received   | <u>0</u>             |
| Net increase (decrease) in cash and cash equivalents  | 27,601               |
| Cash and cash equivalents - beginning   | 45,063               |
| Cash and cash equivalents (deficit) - ending  | <u><u>72,664</u></u> |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                      |
| Operating income (loss)   | (23,145)             |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                      |
| Depreciation expense  | 62,459               |
| (Increase) decrease in accounts receivable  | 2,105                |
| (Increase) decrease in prepaid items  | 1,907                |
| Increase (decrease) in accounts payable   | 12,700               |
| Increase (decrease) in compensated absences   | 2,031                |
| Total adjustments   | <u>81,202</u>        |
| Net cash provided (used) by operating activities  | <u><u>58,057</u></u> |

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
For the Fiscal Year Ended June, 30, 2005

|  | <u>2005</u>              |
|--|--------------------------|
| <b>Assets</b>  |                          |
| Cash and cash equivalents  | 48,787                   |
| Interest receivable  | <u>0</u>                 |
| Total Assets   | <u>48,787</u>            |
| <br><b>Liabilities</b>   |                          |
| Accounts payable   | <u>0</u>                 |
| Total Liabilities  | <u>0</u>                 |
| <br><b>Net Assets</b>  |                          |
| Held in trust for reward for those instrumental in the capture<br>and prosecution of suspect in Rachel Runyan case | <br><u><u>48,787</u></u> |

The notes to the financial statements are an integral part of this statement

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

**(1) Summary of Significant Accounting Policies**

Sunset City was incorporated September 3, 1935. The City operates under a mayor/council form of government and provides the following services as authorized by its charter: public safety, public utilities, highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. The financial statements of Sunset City have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present Sunset City (the primary government) and its component unit. The component unit discussed below is included in the City's financial report because of the significance of its operational or financial relationships with the City.

**Blended Component Unit:**

Sunset Redevelopment Agency - The Sunset Redevelopment Agency (RDA) is governed by a board of directors comprised of the Mayor and City Council. Although it is legally separate from the City, the RDA is reported as if it were part of the primary government because its sole purpose in removing blight is to redevelop areas within the City thereby generating additional property tax and sales tax.

**B. Government-Wide Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole and the fund statements focus on individual funds.

**Government-Wide Financial Statements**

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate the general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

**Fund Financial Statements**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

**(1) Summary of Significant Accounting Policies - Continued**

***Governmental Fund Types:***

The City reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The City's Redevelopment Agency is reported as a special revenue fund.

Capital projects funds - These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

***Proprietary Fund Types:***

Enterprise fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of income earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City operates its water, sewer, storm water drainage and garbage operations as an enterprise fund.

***Fiduciary Fund Types:***

Fiduciary Fund - This fund is used to account for assets held by the City, in a trustee capacity for individuals, other governmental units and/or funds.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

**(1) Summary of Significant Accounting Policies - Continued**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: 1) accumulated unpaid vacation, sick pay and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and 2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City applies only the applicable FASB pronouncements issued on or before November 30, 1989.

**D. Budgets**

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities" by the Sunset City Municipal Council on or before June 22<sup>nd</sup> for the following fiscal year which begins on July 1<sup>st</sup>. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at the fiscal year end.

During the year the City made one amendment to the budget totaling an increase of \$159,645 in the General Funds, an increase of \$265,602 in the Capital Projects Funds and a decrease of \$56,110 in the Enterprise Fund.

**E. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$500 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

|                             |             |
|-----------------------------|-------------|
| Buildings                   | 50 years    |
| Wells                       | 50 years    |
| Water distribution system   | 50 years    |
| Sewer collection system     | 50 years    |
| Equipment and machinery     | 5-10 years  |
| Infrastructure improvements | 50 years    |
| Other improvements          | 10-50 years |

**F. Reservations of Fund Balance/Retained Earnings**

The City is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balance is for capital projects, Class "C" road revenue, the DARE program, the Liquor allotment, the City's youth council, Miscellaneous Grants and Fire Academy/Fund Raising.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

**(1) Summary of Significant Accounting Policies - Continued**

**G. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(2) Deposits and Investments**

Deposits and investments for the City of Sunset are governed by the Utah Money Management Act and by rules of the Utah Money Management Council. Following are discussions of the City's exposure to various risks related to its cash management activities.

**A. Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Utah Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2005 were \$101,874, of which \$1,874 were uninsured and uncollateralized.

**B. Credit Risk**

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Utah Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories, repurchase agreements, commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations (one of which must be Moody's Investor Services of Standard & Poor's), bankers acceptances, obligations of the U.S. Treasury and U.S. government sponsored enterprises, bonds and notes of political subdivision of the State of Utah, fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

As of June 30, 2005 the City had investments of \$1,270,353 in the PTIF fund. The PTIF does not have a quality rating.

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing solely in the PTIF and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. The City had no days of maturity to report.

**D. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Utah Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective and Rule 17, which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

**(3) Accounts Receivable**

Accounts receivable in the enterprise fund are shown net of an allowance for doubtful accounts of \$1,705.

**(4) Capital Assets**

Capital asset activity for the year ending June 30, 2005 was as follows:

|   | Beginning<br>Balance | Additions | Deletions | Ending<br>Balance |
|---|----------------------|-----------|-----------|-------------------|
| <b>Governmental activities:</b>             |                      |           |           |                   |
| Capital assets not being depreciated:       |                      |           |           |                   |
| Land  | 137,491              | 0         | 0         | 137,491           |
| Total capital assets not being depreciated  | 137,491              | 0         | 0         | 137,491           |
| Capital assets being depreciated:           |                      |           |           |                   |
| Buildings                                   | 1,189,262            | 0         | 0         | 1,189,262         |
| Improvements                                | 173,442              | 3,500     | 0         | 176,942           |
| Machinery and equipment                     | 1,491,682            | 152,442   | 1,935     | 1,642,189         |
| Total capital assets being depreciated      | 2,854,386            | 155,942   | 1,935     | 3,008,393         |
| Less accumulated depreciation for:          |                      |           |           |                   |
| Buildings                                   | 202,023              | 25,196    | 0         | 227,219           |
| Improvements                                | 163,208              | 846       | 0         | 164,054           |
| Machinery and equipment                     | 1,066,226            | 121,294   | 1,935     | 1,185,585         |
| Total accumulated depreciation              | 1,431,457            | 147,336   | 1,935     | 1,576,858         |
| Total capital assets being depreciated, net | 1,422,929            | 8,606     | 0         | 1,431,535         |
| Governmental activities capital assets, net | 1,560,420            | 8,606     | 0         | 1,569,026         |

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

**(4) Capital Assets - Continued**

|  | Beginning<br>Balance | Additions | Deletions | Ending<br>Balance |
|--|----------------------|-----------|-----------|-------------------|
| <b>Business-type activities:</b>             |                      |           |           |                   |
| Capital assets not being depreciated:        |                      |           |           |                   |
| Land   | 12,500               | 0         | 0         | 12,500            |
| Total capital assets not being depreciated   | 12,500               | 0         | 0         | 12,500            |
| Capital assets being depreciated:            |                      |           |           |                   |
| Buildings                                    | 937,923              | 3,500     | 0         | 941,423           |
| Improvements                                 | 1,879,309            | 0         | 0         | 1,879,309         |
| Machinery and equipment                      | 205,365              | 4,210     | 346       | 209,229           |
| Total capital assets being depreciated       | 3,022,597            | 7,710     | 346       | 3,029,961         |
| Less accumulated depreciation for:           |                      |           |           |                   |
| Buildings                                    | 27,414               | 19,835    | 0         | 47,249            |
| Improvements                                 | 1,058,481            | 32,109    | 0         | 1,090,590         |
| Machinery and equipment                      | 143,035              | 10,514    | 0         | 153,549           |
| Total accumulated depreciation               | 1,228,930            | 62,458    | 0         | 1,291,388         |
| Total capital assets being depreciated, net  | 1,793,667            | (54,748)  | 346       | 1,738,573         |
| Business-type activities capital assets, net | 1,806,167            | (54,748)  | 346       | 1,751,073         |

Depreciation expense of governmental activities was charged to functions as follows:

|                           |                   |
|---------------------------|-------------------|
| General Government        | \$ 27,116         |
| Public Safety             | 78,200            |
| Highways and Public Works | 33,989            |
| Parks and Recreation      | 7,850             |
| Total                     | <u>\$ 147,155</u> |

**(5) Long Term Debt**

The City has three capital leases included in general long-term debt. The debt is to be paid with general fund revenue. Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at June 30, 2005 are summarized as follows:

| Year ending<br>June 30,   | Police<br>Vehicle<br>Leases | City<br>Building<br>Lease | Total            |
|---|-----------------------------|---------------------------|------------------|
| 2006  | 12,034                      | 108,602                   | 120,636          |
| 2007  | 12,034                      | 108,602                   | 120,636          |
| 2008  | 0                           | 108,602                   | 108,602          |
| 2009  | 0                           | 108,602                   | 108,602          |
| 2010  | 0                           | 108,602                   | 108,602          |
| Years thereafter  | 0                           | 868,816                   | 868,816          |
| Total lease payments  | 24,068                      | 1,411,826                 | 1,435,894        |
| Less amount representing interest                                 | 1,990                       | 331,412                   | 333,402          |
| Present value of minimum lease<br>payment                         | 22,078                      | 1,080,414                 | 1,102,492        |
| Less current portion  | 10,720                      | 64,136                    | 74,856           |
| Portion of obligations under capital<br>Leases due after one year | <u>11,358</u>               | <u>1,016,278</u>          | <u>1,027,636</u> |

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

**(6) Contributed Capital**

The water and sewer fund regularly receive contributions from sub-dividers for the extension of water and sewer lines. Private developers construct water and sewer transmission systems at their own cost. Occasionally the City constructs large trunk lines. When governmental grants are used to construct part of a system the government receipts are recorded as contributed capital.

**(7) Compensated Absences, Accumulated Unpaid Vacation, Sick Pay, Compensatory Time**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for the unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The liability for unused vacation and compensatory leave is recorded in the government-wide statement of net assets.

**(8) Retirement Plans**

**Plan Description**

Sunset City (City) contributes to the Local Governmental Contributory, Non-contributory and Public Safety Non-contributory, an all cost-sharing multiple-employer defined benefit pension plan that is administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling (800) 365-8772.

**Funding Policy**

In the Local Governmental Contributory System the City contributes a combined rate of 13.08% of covered salary, in the Non-contributory Retirement System the City is required to contribute 11.09% of its annual covered salary. The City contributes 19% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System are authorized by statute and specified by the Board.

The City's contributions to the various systems for June 30, 2005, 2004 and 2003 were as follows:

**A. Local Governmental System - Contributory**

| <u>2005</u> | <u>2004</u> | <u>2003</u> |   |
|-------------|-------------|-------------|---|
| 111,842     | 102,174     | 95,909      | Salary subject to contributions.          |
| 6,711       | 6,130       | 5,754       | Employer paid for employee contributions. |
| 7,918       | 5,732       | 4,489       | Employer contributions.                   |

**B. Local Governmental System - Non-contributory**

| <u>2005</u> | <u>2004</u> | <u>2003</u> |   |
|-------------|-------------|-------------|---|
| 283,503     | 277,261     | 283,989     | Salary subject to retirement contributions. |
| 31,441      | 26,672      | 24,744      | Employer contributions.                     |

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

**(8) Retirement Plans - Continued**

C. Utah Public Safety Retirement System - Non-contributory

| <u>2005</u> | <u>2004</u> | <u>2003</u> |   |
|-------------|-------------|-------------|---|
| 304,643     | 293,244     | 274,833     | Salary subject to retirement contributions. |
| 58,126      | 47,623      | 38,174      | Employer contributions.                     |

D. 401 (K) Contributions

| <u>2005</u> | <u>2004</u> | <u>2003</u> |   |
|-------------|-------------|-------------|---|
| 11,350      | 10,853      | 15,147      | Employee paid contributions.              |
| 29,362      | 23,086      | 17,990      | Employer paid for employee contributions. |

**(9) Risk Management**

Sunset City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the government carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At June 30, 2005 there were no outstanding claims or judgements against the City. Settlements did not exceed insurance coverage for each of the past three years.

**(10) Budgetary Accounting and Tax Calendar**

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1<sup>st</sup> of March and the 1<sup>st</sup> of May. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled Council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and is available for inspection at the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by resolution before June 22<sup>nd</sup> and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Mayor or designated budget officer.

In connection with budget adoption an annual tax resolution establishing the tax rate is adopted before June 22<sup>nd</sup> and the City Recorder is to certify the tax rate to the County Auditor before June 22<sup>nd</sup>.

Budgets for the general, special revenue, and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

The preceding procedures are authorized by Utah Code Sections 10-6-109 through 10-6-136.

Property Tax Calendar

| <u>Duties to be Completed</u>  | <u>Authorizing Statute</u> | <u>Statute Date</u>                              |
|--|----------------------------|--|
| Lien date  | 59-2-103<br>59-2-1302      | 01/01  |
| Taxing districts with June year end notify county commission of date, time and place of public hearing   | 59-2-918(5)<br>59-2-919(7) | 03/01  |
| County Treasurer to settle taxes charged and collected for previous year                                 | 59-2-1365                  | 03/31  |
| Budget Officer shall prepare and file with Council a tentative budget                                    | 10-6-111                   | 1 <sup>st</sup> scheduled Council meeting in May |
| Tax Commission reports value of Centrally Assessed Property to counties                                  | 59-2-802                   | 06/08  |
| County Assessor delivers to County Auditor statement showing aggregate valuation of all taxable property | 59-2-924                   | 06/01  |
| County Auditor sends valuation, certified tax rate and levy worksheets to each taxing district           | 59-2-924                   | 06/08  |
| Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to County Auditor  | 59-2-912                   | before 06/22                                     |
| County to set proposed tax rates   | 59-2-909                   | 06/22  |
| Taxing districts adopt tentative budgets and notify County of intent to exceed certified tax rate        | 59-2-924(3)                | 06/22  |
| County Auditor to submit levy worksheets and supporting documentation to Tax Commission                  | 59-2-913                   | before 06/22                                     |
| Copy of final budget to State Auditor within 30 days of adoption   | 10-6-118                   | 7/22 or 08/17                                    |
| County Treasurer to mail tax notice  | 59-2-1317                  | 11/01  |
| County Auditor delivers assessment roll with affidavit to County Treasurer                               | 59-2-326                   | 11/01  |
| Payment and delinquency date   | 59-2-1331                  | 11/30  |
| Delinquency list published   | 59-2-1332.5                | 12/31  |

SUNSET CITY  
Notes to Financial Statements  
June 30, 2005

**(11) Sunset Redevelopment Agency**

The redevelopment agency (RDA) collected tax increments of \$97,212 for the Smith's area. There were no tax increments paid to any other taxing agency and the RDA has no outstanding bonds or loans associated with the project areas.

The RDA expended funds in the following area:

|                      |          |
|----------------------|----------|
| Development payments | \$36,802 |
|----------------------|----------|

**(12) Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by those grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**(13) Inter-fund Transfers**

|   |          |
|---|----------|
| Transfer from parks in the general fund                 | (6,400)  |
| Transfer from non-departmental in the utility fund      | (14,890) |
| Transfer from water in the utility fund                 | (5,100)  |
| Transfer from sewer in the utility fund                 | (1,000)  |
| Transfer from buildings and grounds in the utility fund | (1,700)  |
| Transfer from city shops in the utility fund            | (400)    |
| Transfer from class C road fund                         | (17,500) |
| Transfer to capital projects fund                       | 46,990   |
|   | <u>0</u> |

**REQUIRED SUPPLEMENTAL INFORMATION**

SUNSET CITY  
Notes to Required Supplementary Information  
June 30, 2005

**Budgeting and Budgetary Control**

As more fully explained in Note 1 of the "Notes to Financial Statements", annual budgets are prepared and adopted before June 22<sup>nd</sup> for the fiscal year commencing the following July 1<sup>st</sup> in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general, special revenue and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue fund. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1<sup>st</sup>. Final budgets represent the original budget amounts plus any amendments made to the budgets during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
Fiscal Year Ended June 30, 2005

|                                  | General Fund       |                  |                  | Variance<br>Favorable<br>(Unfavorable) |
|----------------------------------|--------------------|------------------|------------------|--|
|                                  | Original<br>Budget | Final<br>Budget  | Actual           |  |
| <b>Revenues:</b>                 |                    |                  |                  |  |
| Taxes:                           |                    |                  |                  |  |
| Current year property taxes      | 121,310            | 124,190          | 124,954          | 764                                    |
| Delinquent prior years taxes     | 6,000              | 6,000            | 5,636            | (364)                                  |
| Fee in lieu                      | 33,000             | 33,000           | 34,991           | 1,991                                  |
| Sales tax                        | 454,000            | 469,500          | 482,308          | 12,808                                 |
| Franchise tax                    | 221,000            | 277,300          | 276,662          | (638)                                  |
| Total taxes                      | <u>835,310</u>     | <u>909,990</u>   | <u>924,551</u>   | <u>14,561</u>                          |
| Licenses and permits:            |                    |                  |                  |  |
| Business licenses                | 23,400             | 23,400           | 22,993           | (407)                                  |
| Building permits                 | 3,500              | 6,600            | 6,677            | 77                                     |
| Building plan check fees         | 1,600              | 3,000            | 3,602            | 602                                    |
| Total licenses and permits       | <u>28,500</u>      | <u>33,000</u>    | <u>33,272</u>    | <u>272</u>                             |
| Intergovernmental:               |                    |                  |                  |  |
| Class "C" road allotment         | 168,000            | 158,000          | 151,176          | (6,824)                                |
| State liquor allotment           | 3,000              | 5,100            | 5,312            | 212                                    |
| Fire and EMS grants              | 12,525             | 85,745           | 78,210           | (7,535)                                |
| Police grants                    | 0                  | 58,700           | 58,696           | (4)                                    |
| Justice grants                   | 0                  | 3,100            | 0                | (3,100)                                |
| Total intergovernmental          | <u>183,525</u>     | <u>310,645</u>   | <u>293,394</u>   | <u>(17,251)</u>                        |
| Charges for services:            |                    |                  |                  |  |
| Special public safety fees       | 1,400              | 1,200            | 1,359            | 159                                    |
| Recreation fees                  | 19,490             | 15,773           | 19,867           | 4,094                                  |
| Miscellaneous service fees       | 5,000              | 1,100            | 1,265            | 165                                    |
| Total charges for services       | <u>25,890</u>      | <u>18,073</u>    | <u>22,491</u>    | <u>4,418</u>                           |
| Fines and forfeitures            | <u>494,000</u>     | <u>410,000</u>   | <u>405,808</u>   | <u>(4,192)</u>                         |
| Other revenues:                  |                    |                  |                  |  |
| Earnings on investments          | 17,600             | 23,300           | 28,084           | 4,784                                  |
| Sales of assets                  | 1,000              | 1,000            | 500              | (500)                                  |
| Miscellaneous revenues           | 36,600             | 58,390           | 66,170           | 7,780                                  |
| Total other revenues             | <u>55,200</u>      | <u>82,690</u>    | <u>94,754</u>    | <u>12,064</u>                          |
| Total revenues                   | <u>1,622,425</u>   | <u>1,764,398</u> | <u>1,774,270</u> | <u>9,872</u>                           |
| <b>Expenditures:</b>             |                    |                  |                  |  |
| <u>General Government</u>        |                    |                  |                  |  |
| Legislative:                     |                    |                  |                  |  |
| Salaries and benefits            | 16,045             | 16,045           | 16,045           | 0                                      |
| Materials, supplies and services | 7,720              | 5,820            | 5,138            | 682                                    |
| Total                            | <u>23,765</u>      | <u>21,865</u>    | <u>21,183</u>    | <u>682</u>                             |

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund - (Continued)**  
Fiscal Year Ended June 30, 2005

General Fund

|                                    | Original<br>Budget | Final<br>Budget | Actual         | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------------|--------------------|-----------------|----------------|--|
| <b>Expenditures - (continued):</b> |                    |                 |                |  |
| Judicial:                          |                    |                 |                |  |
| Salaries and benefits              | 65,775             | 86,125          | 90,228         | (4,103)                                |
| Materials, supplies and services   | 49,550             | 28,000          | 18,301         | 9,699                                  |
| Capital outlay                     | 500                | 500             | 0              | 500                                    |
|                                    | <u>115,825</u>     | <u>114,625</u>  | <u>108,529</u> | <u>6,096</u>                           |
| Administrative:                    |                    |                 |                |  |
| Salaries and benefits              | 90,365             | 90,265          | 87,882         | 2,383                                  |
| Materials, supplies and services   | 22,060             | 23,110          | 21,233         | 1,877                                  |
| Capital outlay                     | 0                  | 0               | 0              | 0                                      |
|                                    | <u>112,425</u>     | <u>113,375</u>  | <u>109,115</u> | <u>4,260</u>                           |
| Non-departmental:                  |                    |                 |                |  |
| Materials, supplies and services   | <u>122,700</u>     | <u>123,950</u>  | <u>120,379</u> | <u>3,571</u>                           |
| City shops, buildings and grounds: |                    |                 |                |  |
| Materials, supplies and services   | 18,850             | 18,150          | 17,761         | 389                                    |
| Capital outlay                     | 0                  | 0               | 0              | 0                                      |
|                                    | <u>18,850</u>      | <u>18,150</u>   | <u>17,761</u>  | <u>389</u>                             |
| Total general government           | <u>393,565</u>     | <u>391,965</u>  | <u>376,967</u> | <u>14,998</u>                          |
| <b>Public Safety</b>               |                    |                 |                |  |
| Police services:                   |                    |                 |                |  |
| Salaries and benefits              | 480,255            | 496,905         | 473,174        | 23,731                                 |
| Materials, supplies and services   | 58,120             | 113,820         | 99,997         | 13,823                                 |
| Capital outlay                     | 750                | 750             | 1,231          | (481)                                  |
|                                    | <u>539,125</u>     | <u>611,475</u>  | <u>574,402</u> | <u>37,073</u>                          |
| Fire department:                   |                    |                 |                |  |
| Salaries and benefits              | 79,620             | 68,750          | 68,841         | (91)                                   |
| Materials, supplies and services   | 59,395             | 148,895         | 135,546        | 13,349                                 |
| Capital outlay                     | 11,100             | 9,250           | 6,704          | 2,546                                  |
|                                    | <u>150,115</u>     | <u>226,895</u>  | <u>211,091</u> | <u>15,804</u>                          |
| Total public safety                | <u>689,240</u>     | <u>838,370</u>  | <u>785,493</u> | <u>52,877</u>                          |
| <b>Highways and Public Works</b>   |                    |                 |                |  |
| Streets and highways:              |                    |                 |                |  |
| Salaries and benefits              | 114,085            | 106,785         | 106,991        | (206)                                  |
| Materials, supplies and services   | 94,250             | 90,800          | 82,954         | 7,846                                  |
| Capital outlay                     | 45,000             | 45,000          | 0              | 45,000                                 |
|                                    | <u>253,335</u>     | <u>242,585</u>  | <u>189,945</u> | <u>52,640</u>                          |
| Total highways and public works    | <u>253,335</u>     | <u>242,585</u>  | <u>189,945</u> | <u>52,640</u>                          |

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund - (Continued)**  
Fiscal Year Ended June 30, 2005

|  | General Fund       |                  |                  |  |
|--|--------------------|------------------|------------------|--|
|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Favorable<br>(Unfavorable) |
| <b>Expenditures (continued):</b>   |                    |                  |                  |  |
| <u>Parks and Recreation</u>  |                    |                  |                  |  |
| Parks department:  |                    |                  |                  |  |
| Salaries and benefits  | 16,150             | 55,850           | 53,517           | 2,333                                  |
| Materials, supplies and services   | 13,500             | 21,050           | 13,424           | 7,626                                  |
| Capital outlay   | 22,000             | 10,000           | 9,649            | 351                                    |
|  | <u>51,650</u>      | <u>86,900</u>    | <u>76,590</u>    | <u>10,310</u>                          |
| Recreation:  |                    |                  |                  |  |
| Salaries and benefits  | 73,215             | 72,165           | 74,984           | (2,819)                                |
| Materials, supplies and services   | 52,200             | 50,700           | 41,312           | 9,388                                  |
| Capital outlay   | 0                  | 0                | 0                | 0                                      |
|  | <u>125,415</u>     | <u>122,865</u>   | <u>116,296</u>   | <u>6,569</u>                           |
| Total parks and recreation   | <u>177,065</u>     | <u>209,765</u>   | <u>192,886</u>   | <u>16,879</u>                          |
| <u>Community Development</u>   |                    |                  |                  |  |
| Building and zoning:   |                    |                  |                  |  |
| Materials, supplies and services   | 6,400              | 2,070            | 1,819            | 251                                    |
| Total community development  | <u>6,400</u>       | <u>2,070</u>     | <u>1,819</u>     | <u>251</u>                             |
| <u>Debt Service</u>  |                    |                  |                  |  |
| Capital lease payments   | 152,655            | 152,655          | 151,464          | 1,191                                  |
| Total debt service   | <u>152,655</u>     | <u>152,655</u>   | <u>151,464</u>   | <u>1,191</u>                           |
| Total expenditures   | <u>1,672,260</u>   | <u>1,837,410</u> | <u>1,698,574</u> | <u>138,836</u>                         |
| Excess (deficiency) of revenue<br>over expenditures  | (49,835)           | (73,012)         | 75,696           | 148,708                                |
| <u>Other financing sources (uses):</u>   |                    |                  |                  |  |
| Transfers in (out)   | 0                  | 0                | (23,900)         | (23,900)                               |
| Total other financing sources (uses)   | <u>0</u>           | <u>0</u>         | <u>(23,900)</u>  | <u>(23,900)</u>                        |
| Excess (deficiency) of revenues and other<br>financing sources over (under) expenditures<br>and other uses | (49,835)           | (73,012)         | 51,796           | 124,808                                |
| Fund balance - beginning of year   | <u>384,140</u>     | <u>384,140</u>   | <u>384,140</u>   | <u>0</u>                               |
| Fund balance - end of year   | <u>334,305</u>     | <u>311,128</u>   | <u>435,936</u>   | <u>124,808</u>                         |

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - RDA Special Revenue Fund**  
Fiscal Year Ended June 30, 2005

|   | RDA Special Revenue Fund |                 |         | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------------|-----------------|---------|--|
|   | Original<br>Budget       | Final<br>Budget | Actual  |  |
| <b>Revenues:</b>                                    |                          |                 |         |  |
| Taxes   | 117,700                  | 117,700         | 97,212  | (20,488)                               |
| Total Revenue                                       | 117,700                  | 117,700         | 97,212  | (20,488)                               |
| <b>Expenditures:</b>                                |                          |                 |         |  |
| Community development                               | 117,700                  | 117,700         | 36,802  | 80,898                                 |
| Total Expenditures                                  | 117,700                  | 117,700         | 36,802  | 80,898                                 |
| Excess (deficiency) of revenue<br>over expenditures | 0                        | 0               | 60,410  | 60,410                                 |
| <b>Fund balance - beginning of year</b>             | 313,731                  | 313,731         | 313,731 | 0                                      |
| <b>Fund balance - end of year</b>                   | 313,731                  | 313,731         | 374,141 | 60,410                                 |



Steven F. Crane, CPA  
Kent R. Christensen, CPA  
Jeffrey L. Ambrose, CPA  
Chuck Palmer, CPA

Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council  
Sunset City

We have audited the financial statements of Sunset City as of and for the year ended June 30, 2005, and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Sunset City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Sunset City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, Mayor, City Council and oversight awarding agencies. However, this report is a matter of public record and its distribution is not limited.

*Crane, Christensen & Ambrose P.C.*

August 30, 2005



Steven F. Crane, CPA  
Kent R. Christensen, CPA  
Jeffrey L. Ambrose, CPA  
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council  
Sunset City

We have audited the general purpose financial statements of Sunset City for the year ended June 30, 2005, and have issued our report thereon dated August 30, 2005. Sunset City received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Sunset City's financial statements.)

Fire and EMS Grant (Department of Health)  
Police Grants (Department of Public Safety)

Our audit also included test work on Sunset City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

|                                |   |
|--------------------------------|---|
| Public Debt                    | Liquor Law Enforcement                    |
| Cash Management                | Justice Court                             |
| Purchasing Requirements        | B & C Road Funds                          |
| Budgetary Compliance           | Other General Issues                      |
| Truth in Taxation and Property | Department of Commerce General Compliance |
| Tax Limitations                | Impact Fees                               |

The management of Sunset City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those requirements require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instances of noncompliance mentioned above, Sunset City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005.

*Crane, Christensen & Ambrose P.C.*

August 30, 2005

SUNSET CITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

**PROGRAM: JUSTICE COURTS COMPLIANCE**

**FINDING:** Ten C-500 forms were not remitted to the State by the 10<sup>th</sup> of the following month.

**QUESTIONED COSTS:** None

**RECOMMENDATION:** We recommend the City remit the State's portion of all fines collected to the State Treasurer by the 10<sup>th</sup> day of the following month.

**CITY'S REPLY:** The City has hired a new employee to manage this area and will comply with this requirement in the future.

**PROGRAM: GENERAL COMPLIANCE UNIFORM BUILDING CODE STANDARDS**

**FINDING:** One of the quarterly reports filed during the year did not include all surcharges due to the State for that quarter.

**QUESTIONED COSTS:** None

**RECOMMENDATION:** The City should remit the unpaid surcharge to the State on a future quarterly report.

**CITY'S REPLY:** The City will remit the shortage to the State on a future quarterly report.